

REFERENCE TITLE: corporate income tax subtractions; dividends

State of Arizona
House of Representatives
Forty-eighth Legislature
First Regular Session
2007

HB 2083

Introduced by
Representatives Yarbrough: Groe

AN ACT

AMENDING SECTION 43-1122, ARIZONA REVISED STATUTES; RELATING TO CORPORATE INCOME TAX SUBTRACTIONS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:
2 Section 1. Section 43-1122, Arizona Revised Statutes, is amended to
3 read:

4 43-1122. Subtractions from Arizona gross income: corporations

5 In computing Arizona taxable income for a corporation, the following
6 amounts shall be subtracted from Arizona gross income:

7 1. The amounts computed pursuant to section 43-1022, paragraphs 8
8 through 15, 28, 29 and 30. For THE purposes of this paragraph, "federal
9 adjusted gross income" as used in section 43-1022 means "federal taxable
10 income".

11 2. The amount of Arizona capital loss carryover as defined in section
12 43-1124 in an amount not to exceed one thousand dollars.

13 3. With respect to a financial institution as defined in section
14 6-101, expenses and interest relating to tax-exempt income disallowed
15 pursuant to section 265 of the internal revenue code.

16 4. Dividends received from another corporation owned or controlled
17 directly or indirectly by a recipient corporation. "~~Control~~" For THE
18 purposes of this paragraph, "~~CONTROL~~" means direct or indirect ownership or
19 control of fifty per cent or more of the voting stock of the payor
20 corporation by the recipient corporation. Dividends shall have the meaning
21 provided in section 316 of the internal revenue code. This subtraction shall
22 apply without regard to ~~the provisions of~~ section 43-961, paragraph 2 and
23 article 4 of this chapter. IF A PAYOR OF DIVIDENDS QUALIFIES FOR A DEDUCTION
24 FOR THE DIVIDENDS IN COMPUTING ITS FEDERAL TAXABLE INCOME, THE PAYEE SHALL
25 NOT SUBTRACT THE DIVIDENDS PURSUANT TO THIS PARAGRAPH. ~~A corporation that~~
~~has its commercial domicile, as defined in section 43-1131, in this state may~~
~~subtract the full amount of the dividends. A corporation that does not have~~
~~its commercial domicile in this state may subtract.~~

26 (a) ~~For its taxable year beginning in 1990, an amount equal to~~
27 ~~one half of the dividends.~~

28 (b) ~~For taxable years beginning in 1991 and thereafter, the full~~
29 ~~amount of the dividends.~~

30 5. Interest income received on obligations of the United States.

31 6. The amount of dividend income from foreign corporations.

32 7. The amount of net operating loss allowed by section 43-1123.

33 8. The amount of any state income tax refunds received ~~which~~ THAT were
34 included as income in computing federal taxable income.

35 9. The amount of expense recapture included in income pursuant to
36 section 617 of the internal revenue code for mine exploration expenses.

37 10. The amount of deferred exploration expenses allowed by section
38 43-1127.

39 11. The amount of exploration expenses related to the exploration of
40 oil, gas or geothermal resources, computed in the same manner and on the same
41 basis as a deduction for mine exploration pursuant to section 617 of the
42 internal revenue code. This computation is subject to the adjustments

1 contained in section 43-1121, paragraph 8 and paragraphs 9 and 10 of this
2 section relating to exploration expenses.

3 12. The amortization of pollution control devices allowed by section
4 43-1129.

5 13. The amount of amortization of the cost of child care facilities
6 pursuant to section 43-1130.

7 14. The amount of income from a domestic international sales
8 corporation required to be included in the income of its shareholders
9 pursuant to section 995 of the internal revenue code.

10 15. The income of an insurance company that is exempt under section
11 43-1201 to the extent that it is included in computing Arizona gross income
12 on a consolidated return pursuant to section 43-947.

13 16. The amount of contributions by the taxpayer during the taxable year
14 to medical savings accounts established on behalf of the taxpayer's employees
15 as provided by section 43-1028, to the extent that the contributions are not
16 deductible under the internal revenue code.

17 17. The amount by which a capital loss carryover allowable pursuant to
18 section 43-1130.01, subsection F exceeds the capital loss carryover allowable
19 pursuant to section 1341(b)(5) of the internal revenue code.